

## **Ministerial Statement by Senator Chris Evans Minister for Immigration and Citizenship**

### **Changes to the 2008-09 Skilled Migration Program**

#### *Announcement*

The Government is implementing a number of measures which will ensure the 2008-09 Skilled Migration Program is driven by the needs of industry and target skills in critical need across a number of sectors.

The new measures will apply from 1 January 2009 and include:

1. prioritising and improving the processing of sponsored permanent migration visas, where skilled migrants are nominated by employers for jobs that cannot be filled locally;
2. providing State and Territory Governments greater scope to address the critical skill needs in their jurisdiction. This reflects the different economies and skills requirements across States and Territories;
3. giving priority to people who apply without a sponsor where they have an occupation on a list of skills in critical shortage; and
4. retaining the existing 133 500 planning target as a cap, with the actual number of visas granted to be kept under review by the Government for the remainder of the 2008-09 year.

As a result of these measures the 2008-09 Skilled Migration Program will be more targeted in delivering the skills needed in the economy, while increasing the number of visas granted to those already onshore and in jobs. Although the existing planning target remains in place as a cap, the Government retains the ability to cap the program below that figure if necessary.

#### *The need to better target the Skilled Migration Program*

The new measures are a result of a review of the Skilled Migration Program by the Government, following concerns about the outcomes of the program in previous years and in light of the global financial crisis and the changing nature of skilled migration.

The review identified the need for a shift in the focus of the program towards 'demand driven' outcomes, in the form of employer and government-sponsored skilled migrants, to ensure the program was better targeted on the skills needed in the economy.

Over previous years the program had been delivering a less than optimal outcome in terms of the mix of skills and occupations. In the last three years just five occupations, out of the hundreds available, accounted for almost half the visas granted to primary applicants.

Encouraging the use of employer-sponsored visas will also have the effect of increasing the number of visas granted to those already here on temporary visas. This reflects the increasing trend of people coming to Australia on a temporary work or study visa and then applying for permanent residence on shore.

In the context of the measures announced today, the Government has decided to retain the current planning target for the Skilled Migration Program. However the Government will keep the program under review to adjust to changing circumstances.

The increase to the Skilled Migration Program in the 2008 Budget, to 133 500 places, was designed to address Australia's prevailing skills shortages.

Since the Budget, there has been a significant shift in the global economic outlook, with some major developed countries entering into recession. This is having an impact on the Australian economy as reflected in Government's updated forecasts published in the Mid Year Economic and Fiscal Outlook.

#### *Patterns of migration in Australia today*

Adjustments to the Skilled Migration Program should consider the different visa types that make up this program and the different roles they play.

- The largest numbers of visas are granted in the 'independent skilled' stream where the person applying does not have a sponsor or a job offer before migrating. In the current economic climate it is important that priority is given to those applications where the person has skills in critical need. Almost half of these visas are granted to international students already in Australia.
- There are also employer-sponsored skilled visas, where an employer has a specific skill need and sponsors a person to fill a vacancy. These visas are driven by the demands of industry for skills and are overwhelmingly granted to those already in Australia.
- State and Territory Governments can also sponsor individuals, where they have skills that are needed in their jurisdiction. As with employer-sponsored skilled visas, State and Territory Government-sponsored visas are driven by the demands of industry for particular skills.

The Government's decision to increase the permanent Skilled Migration Program in 2008-09 was in part aimed at restoring the balance between the permanent and temporary skilled programs.

Visa grants in the temporary skilled migration program (Subclass 457 visa) over the last four years have increased dramatically as the demand for skills by industry grew due to the shortfall of investment in education and training. The temporary skilled program was preferred by employers due to faster responsiveness and processing.

In 2004-05 there were 48 600 Subclass 457 Visas granted; by 2007-08 this figure had more than doubled to 110 600. In 2007-08 for the first time, more people were granted temporary skilled visas than permanent skilled visas.

In this context the Government notes that there are early indications that the numbers applying for Subclass 457 Visas are declining in response to economic conditions.

Given the large numbers of Subclass 457 visa holders in Australia the Government will be encouraging employers to permanently sponsor those workers in occupations whose skills cannot be met by local labour.

In addition to the flow of Subclass 457 Visas onto permanent skilled visas, there has also been a growth in the numbers of international students arriving on temporary study visas and then applying for permanent residence. This followed the former Government's decision to allow students to apply for a permanent visa onshore once they had completed their course.

Approximately 40 per cent or more than 40 000 of the visas granted in the Skilled Migration Program in 2007-08 were to people already here, largely Subclass 457 Visa holders and international students.

Allowing those onshore to convert to permanent residence, thereby securing certainty over their status in Australia, is an important element in allowing employers to retain the skilled workers they need.

The Government is aware that Australia faces a fundamental demographic shift in the coming years as the numbers of baby boomers retiring from the workforce are projected to outnumber those joining the workforce.

Australia will face the prospect of a declining workforce over the next decade. This shift will have profound implications for our economy and for society more generally.

While net overseas migration cannot counter this long-term trend, it can play a critical role in softening the impact of this change.

#### *A more responsive migration program*

The Government is focused on the outcome the Skilled Migration Program to ensure that it delivers the skills needed in the economy.

When the Rudd Government announced the increase to the 2008-09 Program in the Budget, it also began considering changes to the program to ensure that it was more responsive to the needs of the economy.

Traditionally, the program was largely filled by the independent skilled visa which is 'supply driven' and where the mix of skills coming in was determined by those applying to migrate here.

As a result, the program was delivering an unbalanced outcome in terms of the numbers of grants to different occupations.

In the three years to 2007-08 the former Government's Skilled Migration Programs delivered 28 800 accountants, 6500 cooks and 2800 hairdressers.

Over the same three years the program delivered just 800 bricklayers, 600 plumbers and 300 carpenters.

The Migration Occupations in Demand List (MODL) was developed as the primary means of targeting the Skilled Migration Program, however it resulted in large numbers of people coming in with a narrow range of qualifications while not addressing the skill shortages that were targeted.

It would appear that many of those applying to migrate here nominated occupations on the MODL, which advantaged the person's application, when they had no intention of working in those jobs.

At the same time the Migration Program did little to recognise the differing regional economies that have emerged across the country. The demand for skills in the north west of WA is vastly different to the skills needed in Hobart, Melbourne or regional NSW.

In this context the Government had been considering a range of measures to improve the responsiveness of the Skilled Migration Program to ensure that the program is much more tightly targeted and delivers the right mix of skills, addresses capacity constraints and ensures that those sectors and geographic areas which remain relatively buoyant are not constrained by a diminishing skills base.

In meetings with business leaders in a number of states the consistent message has been that the Government should not make it harder for employers by arbitrarily or too rapidly limiting their access to skilled labour. Many made the point that improved economic conditions will depend on skilled labour being available.

These measures introduced by the Government respond to those concerns and represent a fundamental shift from the management of the program in previous years where the focus was on delivering a specified number of migrants rather than focusing on having a program that delivers the skills our economy needs within the ceiling set in the Budget.

The key elements of this approach are:

- Move to a 'demand driven' model for permanent skilled migration; that is, focus on delivering the skills needed in the economy, with the existing 133 500 places in 2008-09 remaining as a ceiling. The Government will keep the program under review in light of economic circumstances.
- Increase the numbers of employer-sponsored visas. These workers bring the strongest and most immediate economic benefit and are directly driven

by the skills demands of the business community. They are skilled migrants who are directly sponsored into a job that cannot be filled locally.

- Improve the ability of State and Territory Governments to sponsor in the skilled migrants to meet skill shortages specific to their jurisdiction. This measure recognises that there are now a number of regional economies operating across the country and that the skill demands vary across states, territories and regions within states.
- Where applicants do not have either an employer or government sponsor, those in occupations deemed to be in critical need will receive higher priority and those in other occupations will receive lower priority.

Under these measures the Skilled Migration Program will see more skilled migrants going straight into jobs and increased numbers of people already in Australia granted visas onshore.

From 1 January 2009, the following order of preference will apply in processing skilled visa applications:

1. Employer sponsored visas
2. State or territory Government sponsored visas
3. Occupations on the critical skills list
4. Occupations on the Migration Occupations in Demand List
5. All other valid applications

#### *Moving to a demand driven program*

The current target of 133 500 places in the Skilled Migration Program will remain as a ceiling.

The Government will keep the program under review through the remainder of 2008-09. The Government will therefore retain the ability to cap the number of grants below the original target if necessary.

Around 80 per cent of employer-sponsored visas are granted to people who are already living and working in Australia on temporary visas. Fast-tracking the grant of these visas will provide greater certainty to employers and ensure the program does not contribute to local unemployment.

#### *Encouraging employer sponsored permanent visas*

The Government will prioritise and improve the processing of employer-sponsored visas.

These visas have very good employment outcomes for the migrant and are directly responding to the skill needs of industry.

In addition, 80 per cent of employer-sponsored permanent visas are granted to people already here, almost all of them on a Subclass 457 visa. They have

proven their skills, have an employer who wants them and are keen to remain in the country.

For these reasons the Government is very supportive of employers using the sponsored permanent visa and will ensure that the processing of applications is streamlined as much as possible.

The Government will be encouraging employers with Subclass 457 visa holders in jobs that cannot be filled locally to consider sponsoring those workers for a permanent visa.

*Addressing the different skill needs across the country*

Under current arrangements, State and Territory Governments can only sponsor a restricted range of skilled occupations.

The Government will provide State and Territory Governments greater flexibility in the skills they can sponsor, by offering them the ability to sponsor a broader range of skilled occupations.

There are clearly quite different skill demands across the country; the demand for skills in the north west of WA is vastly different to the skills needed in Hobart, Melbourne or regional NSW.

These measures complement the national Critical Skills List, in allowing States and Territory Governments to target occupations where there is shortage of skills specific to their jurisdiction.

*Establishing a critical skills list for unsponsored migrants*

Where an applicant does not have either an employer or government sponsor their applications will be given priority where they have skills in critical need.

In consultation with the States and Territories the Rudd Government has developed a Critical Skills List (CSL) which identifies those skills. It is focused on medical and key IT professionals, engineers and construction trades.

The CSL will be more responsive than the Migration Occupations in Demand List (MODL) in identifying and prioritising applications for skills in critical shortage.

The Critical Skills List will be reviewed regularly, in consultation with the States and Territories, industry and unions to ensure that it remains valid and current in the changing circumstances.

Processing applications on this list as soon as possible will ensure our economy gets the skills it needs now, not simply the migrants who applied first.

This new prioritisation of independent skilled applications will apply from 1 January 2009 to all existing and future applications.

The CSL applies to the independent skilled visa, which is not sponsored by employers or State and Territory Governments.

Employers who need skilled occupations not on the CSL can sponsor someone through the employer-sponsored visa. The Government will ensure these visas are processed as a matter of priority.

States and Territories may also sponsor non-CSL applicants through the State and Territory sponsored migration program and these sponsored visas will also be given priority.

Accountants have been included on the CSL but only those who meet the new requirements will be given priority. There is recognition in the industry that while accountancy skills are in demand, many applicants do not have the language skills or local work experience to secure immediate employment.

Under the new arrangements only accountants who have good language skills (7 IELTS) or have completed a registered professional year program will be given priority.

International students who are enrolled in courses that are not on the CSL will still be able to apply for a permanent visa without a sponsor. However if they want their application considered as a priority they will need to focus on finding an employer to sponsor them.

International students graduating from courses will have access to the 485 visa. The 485 visa was introduced by the previous Government and provides students with a period of 18 months to find work in their occupation and improve their English language skills. They can also use that time to find an employer sponsor.

These measures will provide an incentive for training providers to better link international students with employers and give students an incentive to study courses that will lead to employment outcomes in that field.

The MODL remains in place; however, the Government will conduct a review of methodology behind this list in 2009 to ensure that it is responsive to the skill needs of the economy and reflects the skills that should be targeted through the Skilled Migration Program.

#### *Further reforms to the migration program*

While these new measures will ensure the 2008-09 Program is better targeted they represent only the first stage of changes that the Government is considering in this area.

The Government is considering a longer-term planning framework to guide the setting of the Migration Program, rather than the ad hoc annual process that currently occurs.

In the area of international students, we need to ensure that our well deserved reputation as a high quality provider of education and training services is maintained.

The Government welcomes overseas students and appreciates the contribution they make to academic life and to the communities where they live and study. International students who have studied here are an excellent source of skilled applicants. In ensuring this high quality we need to ensure we have a system that is not giving perverse incentives to students to study a small number of vocational courses, when they may have no intention of actually working in those occupations

Australia has always encouraged skilled migrants to come to our country and we recognise the valued contribution they make to our prosperity. At the same time the Government recognises that Australian employers have to seek skills in an increasingly competitive global labour market.

### *Conclusion*

It is vital that we have a Skilled Migration Program that more precisely delivers the skills Australia needs.

The Australian Government has the responsibility to ensure the Skilled Migration Program reflects the current migration needs of the country.

The measures announced today will ensure the Skilled Migration Program in 2008-09 is more responsive to the changing economic circumstances.

The planning target for 2008-09 will be retained but remain under review and the Government retains the ability to cap the Program below that level.

By better targeting the program, employers will be able to quickly access skilled migrants where there is a genuine skill shortage. The priority given to employer sponsorship and State and Territory sponsorship is consistent with the Government's broader goal of responding to the economic demands.

It will encourage our education providers to ensure their students can make connections with employers in their nominated occupations and be work ready upon the completion of their course.

This package takes into account the needs of industry, the different skill demands emerging across the country and the growing interaction between temporary and permanent migration in Australia.

These measures represent a shift to a more 'demand driven' migration program, which encourages employer sponsored visas and recognises that many of these visas are granted to those already working in Australia.

Through these measures the Government will actively manage the Skilled Migration Program to ensure that it remains targeted on the skills that are in critical demand.